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August 28, 2013

Elizabeth Murphy
Secretary
U.S. Securities and Exchange Commission
100 F Street, N.E.
Washington, DC 20549-1090

Re: Proposed change amending NYSE Rule 49 (NYSE-2013-54)

Dear Ms. Murphy:

KCG Holdings, Inc. ("KCG") appreciates the opportunity to provide its views on the proposal by New York Stock Exchange LLC ("NYSE") to amend its rule 49 regarding emergency powers.¹

Under current NYSE Rule 49, during an emergency condition, the systems and facilities of NYSE Arca serve as the systems and facilities for the trading of NYSE-listed securities on NYSE. Any trading of such securities on NYSE Arca systems during an emergency condition on the NYSE would be considered traded on the NYSE, not NYSE Arca. Under the current rules, NYSE members and member organizations must have contingency plans for changing their order entry systems' routing instructions and to take other "actions as instructed by the [NYSE] to accommodate the use of the systems and facilities of NYSE Arca to trade [NYSE]-listed securities." This approach requires all NYSE members to be able to trade, pursuant to NYSE Arca Equities Rules, on NYSE Arca during an emergency condition. Further, during an emergency condition, Designated Market Makers ("DMMs") are considered Market Makers under NYSE Arca Equities Rules for

¹ Securities Exchange Act Release No. 70099 (August 2, 2013) (NYSE-2013-54).



purposes of trading NYSE-listed securities and must be able to fulfill obligations under NYSE Arca's Equities Rules for Market Makers.

The NYSE's proposal would change Rule 49 to limit the scope of the NYSE's trading and SRO activity during an emergency condition.² Under the proposal, during an emergency condition, NYSE Arca, on behalf of the NYSE, would disseminate for NYSE-listed securities the official opening and closing prices. NYSE Arca, also on behalf of NYSE would disseminate notifications of regulatory halts and trading pauses and resumptions of trading thereafter, and of short sale price test trigger lifting. In addition, NYSE members would no longer be required to trade on NYSE Arca during an emergency condition.

KCG supports the NYSE's proposal. As discussed in more detail below, KCG believes the NYSE's proposed changes to its Rule 49 would appropriately focus its trading operations during an emergency condition on those services for which the NYSE is the sole provider in the securities market. In connection with this more limited approach to trading operations during an emergency condition, KCG supports the NYSE's proposal to eliminate the requirement that DMMs satisfy market maker obligations as NYSE Arca Market Makers during an emergency condition because it eliminates potential and unnecessary operational risks. Finally, KCG believes the approach proposed by NYSE to use the systems and technology of NYSE Arca to disseminate the opening and closing prices and various primary market regulatory notifications minimizes the operational risks and challenges to market participants.

I. Background:

KCG is a global financial services firm offering investors a range of services designed to address trading needs across asset classes, product types and time zones. As an independent market maker, KCG combines advanced technology with exceptional client

² NYSE Rule 49, and the proposed changes thereto, relates solely to back-up trading facilities of the national securities exchange operated by NYSE. It does not relate to NYSE as Administrator for Network A, or NYSE's role as the Securities Information Processor (SIP) for NYSE-listed securities.



service to deliver greater liquidity, lower transaction costs, improve pricing, and provide execution choices.

KCG is a registered market maker on numerous US cash equity and options exchanges, including a DMM and Supplemental Liquidity Provider on the New York Stock Exchange (“NYSE”), and a Lead Market Maker on NYSE Arca. As a market maker, KCG commits its capital to facilitate trades by buyers and sellers on exchanges, ATs, and directly to our clients.

KCG offer clients multiple opportunities to interact with our market making operations. In addition, KCG’s institutional clients have access to algorithms and experienced trading desks to access liquidity, maintain anonymity and minimize market impact. KCG also operates three Commission-registered ATs.

KCG employs more than 1400 people worldwide, including in offices in New York, New Jersey, Chicago, London, Santa Clara, and Singapore.

II. Discussion

KCG believes the Commission should promptly approve the NYSE’s proposal, which is designed to address the vulnerabilities revealed following Superstorm Sandy. The NYSE’s proposal is consistent with an approach to disaster recovery that focuses solely on those services that are critical to the securities market.

As discussed in our comment letter³ on the Commission’s proposed Regulation Systems Compliance and Integrity (“Proposed Regulation SCI”),⁴ KCG recommends that the Commission focus regulatory requirements under Proposed Regulation SCI on those critical services in the securities market that have only one provider, such as the opening and closing auctions and coordination of the markets during trading halts. Redundancy is

³ Letter from Elizabeth K. King, KCG, to Elizabeth Murphy, Secretary, Securities and Exchange Commission, dated July 25, 2013.

⁴ Securities Exchange Act Release No. 69077 (Mar. 8, 2013) 78 FR 18084 (Mar. 25, 2013) (Regulation Systems Compliance and Integrity).



critical where there is no commercial alternative. The NYSE's proposed changes to Rule 49 are consistent with such an approach. Further, KCG believes the proposal it would focus NYSE's and member firms contingency plans on those critical services provided by NYSE for which competitors do not provide commercial alternatives.

Similarly, KCG supports the NYSE's proposal to eliminate the requirement that NYSE members and member organizations, including the DMMs, connect and send quotes and orders to NYSE's back-up facility (i.e., NYSE Arca). This change would ensure anyone trading on NYSE Arca during an emergency condition on NYSE has experience trading on NYSE Arca's platform and avoids the risks associated with NYSE members trading on NYSE Arca without sufficient experience. KCG believes it is unnecessary to take these risks because of the many venues that offer trading in NYSE-listed securities. Instead, members would re-route orders to another of the many alternative venues available for trading in NYSE-listed securities following the opening auction.

Finally, KCG supports the NYSE's clarification in its proposal regarding the opening and closing prices. We believe the proposal to disseminate official opening and closing prices for NYSE-listed securities and primary market notifications with both "P" and "N" designations would address many of the operational concerns of the firms.



III. Conclusion

KCG appreciates the opportunity to submit these comments. Please do not hesitate to contact me at (312)931-2498 if you have questions regarding any of the comments provided in this letter.

Sincerely,

Elizabeth K. King
Global Head of Regulatory Affairs

cc: Chair Mary Jo White
Commissioner Luis A. Aguillar
Commissioner Daniel M. Gallagher
Commissioner Michael S. Piwowar
Commissioner Kara M. Stein
John Ramsey, Acting Director, Division of Trading & Markets
James Burns, Deputy Director, Division of Trading & Markets
Heather Seidel, Associate Director, Division of Trading & Markets
David Shillman, Associate Director, Division of Trading & Markets